centum gives a figure of £31,400,000, which can be taken as a dead-weight of debt, the interest and amortization charges on which must meantime continue to be met from general taxation. If the amount of £8,100,000 written off is added to this figure it means that £39,500,000 has been sunk in railway-construction from which no return is being obtained, and this is without making any allowance for the sum of £7,000,000 expended on unopened lines. **In other words, almost two-thirds of the money invested in railways was at the above date not earning interest.** We shall later show that upwards of £40,000,000 has been expended on road-construction by the State and by local authorities, and **it is evident that the wasteful competition between road and railway services is partially responsible for the unproductiveness of so much railway capital.**

1520. The burden of taxation to-day would be considerably eased were it possible to recover from the earnings of the railways the full interest on capital expended in construction and every effort should be made to deal effectively with this problem of road and railway finance. It is obviously uneconomic for the Dominion to continue on a comprehensive roading policy, which is already, in our opinion, years ahead of its time, when Railways finance is in such a languishing state. Publicity campaigns and reorganizations of the railway service will not, of themselves, bring back traffic to the railways in sufficient quantities to arrest the drift in Railways finance. While it may not be within our province to deal specifically with forms of taxation, **we nevertheless venture to suggest that it is only through a combination of increased and properly directed taxation, and control and regulation of transport, that the wasteful competition between road and railways services can be eliminated.** It seems clear that road-users in general, and particularly goods and passenger transport services, are not contributing as they should to the maintenance and upkeep of the highway system, and **if it is reasonable to expect the railways to meet running-expenses and maintenance, as well as interest on the capital cost of construction, it is equally reasonable to expect all classes of mechanical transport to meet their just proportion of maintenance and interest on the capital cost of highways.** The Main Highways Accounts disclose that whereas the total revenue received for 1930–31 was £1,767,000 the actual expenditure for maintenance and administrative services alone was £940,000. The account is not charged with any interest on the capital previously expended out of the Public Works Fund on road-construction amounting in all to approximately £21,000,000. The problem should, however, be considered not merely from the point of view of income and expenditure of the Main Highways Account, but on a national basis. It is estimated that the total maintenance cost of roads, including interest and amortization by the State and local authorities, for the year ended 31st March, 1931, was approximately £4,700,000, while the receipts from motor and allied taxation for the same period amounted to approximately £2,140,000. **In other words, by direct taxation mechanical transport contributes less that half of the annual interest and maintenance cost of the roading system.** Viewed in this light, the inability of the railways to meet all operating, maintenance, and interest charges is not surprising. **We suggest an immediate review of the taxation on mechanical transport, more particularly as it affects passenger and goods transport services, with a view to a more equitable share of the burden being met by the users.** We would stress the fact that any further taxation levied on road-users should not be taken to strengthen the position of the Main Highways Account, which we have already recommended should be abolished. Assistance is now required not so much for special accounts as for the Consolidated Fund in relief of general taxation.

VOTES—PUBLIC BUILDINGS.

1521. The amount appropriated for 1931–32 in respect of public buildings was £680,600. Of this amount the sum of £350,000 was for education buildings, and we have commented on the large expenditure in this direction when dealing with the Department of Education. We do not propose to review this vote in detail.

1522. There is, however, a constant tendency towards the provision and replacement out of loan-money of such buildings as mental institutions, prisons, and the like, by new and fully equpped buildings, annexes, &c., in sympathy with changes in population density, administrative policies, &c.

1523. We point out that the total amount provided up to the 31st March, 1931, from loan-moneys for the erection, improvement, &c., of all public buildings was approximately £16,000,000, and it appears that **the time has arrived when the expenditure of large sums of overseas loan-money each year on such buildings should cease.**

1524. Taking the appropriations for 1931–32, the following are only a few minor examples of expenditure inappropriately charged against loan money :—

	£
Temporary accommodation and clearing sites, Napier	2,000
Hood's Buildings—Additions for Unemployment Board (short-term lease, expiring 1935)	800
Government Buildings—Installation of heating system	5,000

1525. Even if it were possible to continue the policy of erecting public buildings out of loan-money, there are many other items under the votes in respect of public buildings which cannot be justifiably charged against borrowed money. The period within which the public debt is being funded is sixty years, and **it is obvious that there will be charges on taxation for many years after assets which are now being created out of loan-money are worn out and have themselves been replaced (if the present policy is continued) also out of loan-money.** The result must be in increasing burden on posterity and an increasingly pressing burden on general taxation for interest and amortization charges.